

Message Text

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ACTION ITC-01

INFO OCT-01 EUR-12 EA-07 ISO-00 EB-08 COME-00 TRSY-02
AID-05 CEA-01 CIAE-00 FRB-03 INR-07 NSAE-00 CIEP-01
SP-02 STR-04 LAB-04 SIL-01 OMB-01 /060 W
-----041939Z 061329 /43

R 041923Z FEB 77
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 9527
INFO USMISSION EC BRUSSELS
AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY TOKYO

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E. O. 11652: N/A
TAGS: ETRD
SUBJECT: ASSISTANCE TO SEMICONDUCTOR AND SUBSIDIARY
ELECTRONIC WATCH INDUSTRY BY FOREIGN GOVERNMENTS.

REF: A. STATE 003896 B. PARIS 02651

1. SUMMARY: INFORMATION IS NOT READILY AVAILABLE ABOUT
FRENCH GOVERNMENT AID TO THE SEMICONDUCTOR INDUSTRY. A
MINISTRY OF INDUSTRY OFFICIAL HAS PROVIDED AN ORAL
ESTIMATE OF ABOUT \$20 MILLION ANNUALLY FOR RESEARCH AND
DEVELOPMENT AID TO THE COMPONENT INDUSTRY NOT INCLUDING
MILITARY EXPENDITURES. ABOUT 80 OF THIS DEVELOPMENT
AND RESEARCH AID IS FOR SEMICONDUCTORS. MINISTRY OF
INDUSTRY HAS SUGGESTED APPROPRIATE PROCEDURE IS FOR
MUTUAL EXCHANGE OF INFORMATION THROUGH DIPLOMATIC
CHANNELS. FRENCH MINISTRY CONSIDERS U.S. DEFENSE AND
NASA EXPENDITURES FOR BASIC RESEARCH AS GOVERNMENT
ASSISTANCE TO INDUSTRY. END SUMMARY.

2. AMOUNT OF ASSISTANCE GIVEN TO FRENCH SEMICONDUCTOR

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INDUSTRY (REPORTEDLY IN FORM OF GRANTS FOR RESEARCH) IS
SENSITIVE SUBJECT ON WHICH IT IS DIFFICULT TO OBTAIN
PRECISE INFORMATION. AFTER TRADE CONTACTS UNABLE SUPPLY
INFORMATION, EMBASSY COMMERCIAL OFFICER VISITED ELEC-
TRONICS DIVISION OF MINISTRY OF INDUSTRY AND RESEARCH
(MOIR) AND WAS GIVEN ORAL EXPLANATION OF TYPES OF
RESEARCH GRANTS AND ESTIMATES OF AMOUNTS INVOLVED. IN

SUBSEQUENT TELECON MINISTRY REPRESENTATIVE SUGGESTED THAT MUTUAL EXCHANGE VIA DIPLOMATIC CHANNELS WAS APPROPRIATE WAY OF DEVELOPING THIS INFORMATION. MOIR TAKES POSITION THAT GRANTS BY US DOD AND NASA FOR BASIC RESEARCH ARE PART OF GOVERNMENTAL ASSISTANCE GIVEN TO COMPONENT INDUSTRY. MOIR OFFICIAL MAINTAINED THAT ONE OF PROBLEMS IN COSTING COMPONENTS IS THAT ORIGINAL US OUTLAYS (WHICH HE ESTIMATED AT 25 OF TURNOVER) WERE NOT REFLECTED IN PRICES OF ORIGINAL COMPONENT PRODUCERS. HE ALLEGED THAT COMPONENTS ON A WORLDWIDE BASIS ARE UNDERPRICED, IN EFFECT SUBSIDIZING END-USERS.

3. MOIR OFFICIAL ESTIMATED THAT THE ANNUAL GOF AID TO THE COMPONENTS INDUSTRY IN THE FORM OF GRANTS FOR RESEARCH WAS ABOUT \$20 MILLION PER ANNUM, NOT INCLUDING MILITARY APPROPRIATION FOR THIS PURPOSE, WITH ABOUT 80 OF THIS GOING FOR RESEARCH IN SEMI-CONDUCTORS. TYPES OF AID AND GRANTORS INCLUDE: BASIC RESEARCH - MINISTRY OF INDUSTRY; STUDYING NEW PRODUCTS - MINISTRY OF DEFENCE AND PTT; DEVELOPING NEW PRODUCTS - MINISTRY OF INDUSTRY; RESEARCH ON COMPONENT PRODUCTION EQUIPMENT - MINISTRY OF INDUSTRY, BUT NO FUNDS HAVE BEEN AVAILABLE FOR SUCH RESEARCH IN THE LAST TWO YEARS. FOR DEVELOPING NEW PRODUCTS, MOIR ADVANCES UP TO 50 OF DEVELOPMENT COST. IF THE PROJECTS SUCCEEDS, THE FIRM IS SUPPOSED TO PAY BACK

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SP-02 STR-04 LAB-04 SIL-01 OMB-01 /060 W
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R 041923Z FEB 77
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LOANS, PLUS INTEREST WITHIN FIVE YEARS OR LESS. PROGRAMS TO ASSIST RESEARCH AND DEVELOPMENT HAD EXISTED SINCE ABOUT 1968. THE LARGEST AMOUNT GIVEN TO A FRENCH COMPANY FOR A PROJECT WAS ABOUT \$400,000 AND THE AVERAGE PROJECT RESEARCH ALLOCATIONS WERE \$20,000 - 100,000. HOWEVER, A SINGLE COMPANY MIGHT BE INVOLVED IN SEVERAL PROJECTS SO A LARGE COMPANY MIGHT GET RESEARCH GRANTS OR LOANS UP TO \$2 MILLION.

4. MOIR OFFICIAL SAID HE BELIEVED THAT SUCH AID TO INDUSTRY FOR RESEARCH WAS LOWER IN FRANCE THAN IN JAPAN OR GERMANY AND SUBSTANTIALLY LOWER THAN IN THE U.S.A. I.E. DEFENSE AND NASA RESEARCH ALLOCATIONS. HE STATED THAT AMOUNTS ALLOCATED TO COMPANIES COULD NOT BE IDENTIFIED IN THE NATIONAL BUDGET AND WERE NOT PUBLISHED AS HE SAID WAS THE CASE IN JAPAN AND GERMANY.

5. SOME GENERAL INFORMATION ON PAST AND SUGGESTED FUTURE GOVERNMENTAL AID FOR RESEARCH IN COMPONENTS IS CONTAINED IN THE PLANNING DOCUMENTS ENTITLED LIMITED OFFICIAL USE

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"COMPOSANTS ELECTRONIQUES" ELECTRONIC COMPONENTS) ISSUED IN LATE 1976 BY THE FRENCH PLANNING AGENCY FOR THE VII PLAN PERIOD 1976-1980. ACCORDING TO THIS DOCUMENT, PUBLIC CREDITS AMOUNTING TO \$140 MILLION WERE UTILIZED FOR RESEARCH DURING THE PERIOD 1970 - 75. NO BREAKDOWN IS GIVEN BY TYPE OF COMPONENT RESEARCHED. FOR THE PERIOD 1976-80 THE PLANNING DOCUMENT PROPOSES THAT THE GOF MAKE AVAILABLE \$240 MILLION FOR R AND D OVER THE PERIOD 1976-1980. INDUSTRY IS PROJECTED TO DEVOTE AN EQUIVALENT SUM FOR THIS PURPOSE. PLAN DOCUMENT SUGGESTS THAT RESEARCH FUNDS BE DIVIDED ABOUT EQUALLY BETWEEN ACTIVE AND PASSIVE COMPONENTS. COMMENT: WHILE THE GOVERNMENT PLAYS AN ACTIVE ROLE IN THE PLANNING PROCESS ALONG WITH INDUSTRY AND LABOR, ITS PARTICIPATION DOES NOT REPRESENT A FIRM COMMITMENT TO OBTAIN AND ALLOCATE THE FUNDS RECOMMENDED IN THE PLANNING DOCUMENT. END COMMENT.

6. THE CONCERN OF FRENCH AUTHORITIES IN BUSINESS AND GOVERNMENT ABOUT THE FUTURE OF THEIR ELECTRONICS INDUSTRY IS REFLECTED IN THE PLAN DOCUMENT. IT IS STATED THEREIN THAT "CERTAIN SAVAGE PRACTICES OF FREE EXCHANGE MUST BE DISCOURAGED." IT NOTES THAT THE PRESENT PERILOUS SITUATION FACING SEMI-CONDUCTORS, SOME PASSIVE COMPONENTS, AND BLACK AND WHITE TELEVISION TUBES ILLUSTRATES WHAT COULD BE THE FATE OF OUR (FRENCH) INDUSTRY". THIS PORTION OF THE PLAN DOCUMENT THEN CONCLUDES: "THE EXAMPLE HAS BEEN GIVEN BY THE UNITED

STATES WHICH HAS NOT HESITATED TO PROVIDE THE
EXECUTIVE BRANCH (TRADE REFORM ACT OF 1974) WITH THE
MEANS OF STOPPING IMPORTS WHICH ARE INJURIOUS TO
NATIONAL INDUSTRY OR EVEN POSE A THREAT THERETO. THE
NEW MEASURES REINFORCE THE POSITIONS OR PRACTICES
IN FORCE SUCH AS THE AMERICAN SELLING PRICE OR THE BUY
AMERICA ACT. FOR US (FRANCE) THE ESTABLISHMENT OF A
EUROPEAN SELLING PRICE WOULD BE A POWERFUL MEASURE
TO MODERATE THE EXCESSES PRESENTLY OBSERVED."
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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Enclosure: n/a
Executive Order: N/A
Errors: N/A
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Original Handling Restrictions: n/a
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Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3406177
Secure: OPEN
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Subject: ASSISTANCE TO SEMICONDUCTOR AND SUBSIDIARY ELECTRONIC WATCH INDUSTRY BY FOREIGN GOVERNMENTS.
TAGS: ETRD, FR
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/03c897cb-c288-dd11-92da-001cc4696bcc
Review Markings:
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